

## The CIA was half-right about oil

Russia's biggest foreign currency earner, oil, is beginning to be used up. The CIA was right in predicting a decline in Soviet oil production—wrong, by five years or so, in forecasting when the fall would begin. The American intelligence agency fessed up a fortnight ago, saying that the Soviet Union ought to be producing 10m-11m barrels per day (500m-550m tonnes per year) by 1985—enough to meet its needs without having to import much oil from Opec countries.

The CIA's original study, published in 1977, suggested that Russia would need to import 3.5m barrels per day (175m tonnes per year) by the mid-1980s. The CIA did not expect Russia to be able to switch so much investment into oil production. During the early 1970s, Russia invested \$4.6 billion a year in its oil industry. This had risen to over \$6 billion a year by 1976-78 and topped \$9 billion in 1979—a sign that the main Volga-Urals fields were becoming exhausted.

Fortunately, the country's oil fields in western Siberia have come on strong. Last year they supplied 315m tonnes (52%) out of a total of 603m tonnes. But the Kremlin has clearly underestimated the decline in fields in European Russia, the Caucasus and central Asia. And it has been too optimistic about the growth of oil fields in Komi and Kazakhstan.

The CIA originally put Russia's proven reserves at 4 billion-5 billion tonnes. A recent and more realistic estimate puts Russia's present oil reserves at 6 billion-12 billion tonnes. So even if no large new oil discoveries are made anywhere in the Soviet Union during the next couple of years, there is no reason why Russia cannot maintain its current oil production until about 1986-87. After that, keeping output steady is going to get trickier.

The Russians will need to make large purchases of:

- **Exploration equipment.** A great deal more is needed—and in a hurry. The Kremlin intends to step up exploratory drilling some 2½-fold between now and 1985.

- **Rotary drills.** The greater depths and harder rocks of the new oil fields mean that the Russians will have to rely increasingly on American rotary drills instead of their own turbo versions.

- **Submersible pumps.** Water injection is the favoured method of enhancing oil recovery in the Soviet Union. But lifting huge quantities of fluid from such depths is going to be expensive.

- **Gas lift equipment.** This would be a logical alternative to water injection. It needs less maintenance and can cope with far higher production rates. But wholesale adoption of gas lift would put Russia's oil industry in hock to the west. The Russians are nevertheless nibbling. Negotiations are underway with the French to buy some \$80m worth of carbon dioxide injection equipment—to try to slow the decline of the giant Romashkino field in the Volga-Urals region.

- **Offshore technology.** Yields from offshore wells have proved dismal. The Russians are impressed with what they have seen in the North Sea. They would like to get their hands on British know-how to develop oil fields in the ice-free part of the Barents Sea.